# LEGISLATIVE SERVICES AGENCY
## OFFICE OF FISCAL AND MANAGEMENT ANALYSIS

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
http://www.in.gov/legislative

## FISCAL IMPACT STATEMENT

**LS 7246** | **NOTE PREPARED:** Jan 6, 2008
**BILL NUMBER:** SB 466 | **BILL AMENDED:**

**SUBJECT:** Property tax standard deduction.

**FIRST AUTHOR:** Sen. Becker | **BILL STATUS:** As Introduced
**FIRST SPONSOR:**

**FUNDS AFFECTED:** <u>X</u> **GENERAL** | **IMPACT:** State & Local
**DEDICATED**
**FEDERAL**

**Summary of Legislation:** This bill specifies filing requirements for the property tax standard deduction. (Before the repeal of the homestead credit statutes, property eligible for the homestead credit was automatically eligible for the standard deduction without the filing of an application.)

The bill specifies that a person may apply for the standard deduction on a sales disclosure form. It provides that with respect to real property, a person must file an application for the standard deduction during the year for which the person desires to obtain the deduction. It provides that with respect to a mobile home that is not assessed as real property, the person must file an application for the standard deduction during the 12 months before March 31 of the year for which the person desires to obtain the deduction.

The bill also provides that the standard deduction applies only if the individual owns the homestead on the date the application for the deduction is filed. It deletes the requirement that a standard deduction may be claimed only if the applicant owns the property on March 1 (in the case of real property) or January 15 (in the case of a mobile home that is assessed as personal property).

**Effective Date:** January 1, 2009 (retroactive).

**Explanation of State Expenditures:** Under current law, county auditors have to verify that a taxpayer is eligible for the homestead deduction in only one county. This bill authorizes the Department of Local Government Finance (DLGF) to develop procedures to prevent an individual from claiming more than one standard deduction. This could add administrative duties to the DLGF which may require additional funds and personnel. Ultimately, the source of funds and resources required to satisfy the requirements of this bill would depend upon legislative and administrative actions.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** Under previous law, an individual who received the homestead credit automatically received the standard deduction. To qualify for the credit and deduction, a taxpayer had to own the homestead by March 1 (January 15 for mobile homes ) of the assessment year. To receive the credit, the taxpayer had to file a certified statement or a sales disclosure form with the county auditor. Under HEA 1001-2008, the homestead credit statute was repealed effective January 1, 2009. Under this bill, those homeowners currently receiving the standard deduction would automatically continue to do so. In the absence of the homestead credit a new homeowner would file a claim for the standard deduction either with the county auditor or on a sales disclosure form.

The bill modifies when a new homeowner becomes eligible to receive the deduction. It enables a homeowner to receive the deduction even if the home was purchased during the assessment year but after March 1. For example, under current law a new homeowner who wished to claim the deduction against taxes payable in 2008 had to own the home by March 1, 2007. If the home was purchased after March 1, 2007, the homeowner would first become eligible for the deduction a year later, for taxes payable in 2009. Under this bill, however, the new homeowner would be eligible to receive the deduction against taxes payable in 2008. At this time, the number of new homeowners who would benefit from this provision is indeterminable.

The additional deductions would result in a reduction of the assessed value tax base and a corresponding tax shift to other taxpayers. The actual amount of change in the AV and the tax shift are indeterminable. The revenue for cumulative funds would be reduced by the product of the fund rate multiplied by the reduction in AV.

**State Agencies Affected:** DLGF.

**Local Agencies Affected:** County Auditors.

**Information Sources:**

**Fiscal Analyst:** David Lusan, 317-232-9592.